

Message Text

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FM AMEMBASSY ANKARA

TO SECSTATE WASHDC 6176

INFO USCINCEUR

S E C R E T ANKARA 7520

E.O. 11652: XGDS-3 INDEFINITE

TAGS: MARR, TU

SUB: TAX RELIEF AGREEMENT

REF STATE 203230

1. EMBASSY HAS REVIEWED RECENT FOREIGN TAX RELIEF STUDY PREPARED BY STAFF JUDGE ADVOCATE TUSLOG AND FOUND IT COMPREHENSIVE PIECE OF WORK. THE DRAFT TAX RELIEF AGREEMENT (TRA) CONTAINED THEREIN IS IDEAL AGREEMENT FROM U.S. POINT OF VIEW AND WOULD THUS BE MAXIMUM U.S. POSITION FOR TABLING AT BEGINNING OF NEGOTIATIONS. FOR REASONS SET FORTH BELOW, HOWEVER, WE FEEL THIS IS NOT THE TIME TO INITIATE NEGOTIATIONS.

2. PROBLEM WITH EXISTING TAX RELIEF AGREEMENT HAS NOT BEEN WITH THE BASIC TEXT ITSELF BUT WITH TURKISH INTERPRETATION OF ITS OUTDATED ANNEX. THEY HAVE TAKEN POSITION THAT WHEN TAXES REPLACED OR CHANGED THROUGH NEW LEGISLATION, TRA NO LONGER APPLIES BECAUSE NEW LAW NOT LISTED IN ANNEX EVEN THOUGH TAX ESSENTIALLY THE SAME.

3. SUBJECT OF TAX RELIEF IS CLOSELY TIED TO CURRENT IMPLEMENTING AGREEMENT NEGOTIATIONS. IN THESE NEGOTIATIONS, TURKS HAVE MADE CLEAR TO EMBASSY THAT THEY ARE NOT INTERESTED IN IMPROVING OR EXPANDING

THE 1954 TAX RELIEF AGREEMENT NOW IN FORCE IN FAVOR OF THE U.S. ON THE CONTRARY, TURKS CONSIDER U.S. HAS TOO MANY PRIVILEGES

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AND IMMUNITIES IN TURKEY AND SEEKS TO REDUCE OR ELIMINATE THEM

THROUGH RENEGOTIATION OF EXISTING AGREEMENTS.

4. SPECIFICALLY, IN THE AIR TECHNICAL I.A. NEGOTIATIONS, TURKS HAVE BEEN PRESSING TO ELIMINATE EXISTING IMMUNITY FROM LANDING AND PARKING CHARGES FOR U.S. MILITARY AIRCRAFT USING CIVIL AIRPORTS. AIR TECHNICAL IS ON IA NEGOTIATING AGENDA FOR NEXT WEEK AND FOLLOWING. WE WILL HAVE ANOTHER OPPORTUNITY THEN TO HEAR TURKISH VIEWS ON TAX RELIEF BUT EXPECT THEM TO BE NO DIFFERENT FROM THAT REPORTED ABOVE.

5. THE EMBASSY IN COORDINATION WITH INTERESTED U.S. MILITARY AUTHORITIES IS CONTINUING REVIEW OF TAX RELIEF QUESTION. WHILE WE REMAIN OF THE VIEW THAT THE TAX RELIEF AGREEMENT SHOULD NOT RPT NOT BE RENEGOTIATED AT THIS TIME, WE WILL CONTINUE TO EXERT MAXIMUM EFFORT TO PRESERVE TAX RELIEF DUE US UNDER EXISTING AGREEMENT. WE WILL SEEK THROUGH CURRENT IA SUBCOMMITTEE LATER NEGOTIATIONS ON CONSTRUCTION AND OTHER PROCEDURES TO EXPAND TAX RELIEF IF AT ALL POSSIBLE. ANY CONCESSIONS WON ON THIS LEVEL CAN LATTER BE INCORPORATED INTO NEW TAX RELIEF AGREEMENT ANNEX.

6. NATURAL ORDER OF NEGOTIATION OF AGREEMENTS WOULD BE TO TAKE UP TAX RELIEF AFTER I.S.'S IN ACCORDANCE DCS ARTICLE XXII PARAGRAPH 6. IF CIRCUMSTANCES CHANGE AND IT APPEARS IN USG INTEREST TO RAISE TAX RELIEF SOONER, WE WILL CERTAINLY DO SO.
MACOMBER

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